

AN ANALYSIS OF BASIC
CABLE TELEVISION RATES
FOR THE YEAR 2000 IN WISCONSIN

By
Scott Golden

A Research Paper Submitted in Partial
Fulfillment of the Requirements for
the Master of Science Degree
in Management Technology

Approved for completion of 4 Semester Credits
(INMGT-735)

Research Advisor

The Graduate School
University of Wisconsin-Stout
11-01-2000

The Graduate School

University of Wisconsin Stout
Menomonie, WI 54751

ABSTRACT

GOLDEN		SCOTT		T.	
(Writer)	(last name)	(first)		(initial)	
AN ANALYSIS OF “BASIC” CABLE PRICES					
IN WISCONSIN FOR THE YEAR 2000					
(Title)					
Management Technology		Jerry Coomer		2-05-01	44
(Graduate Major)		(Research Advisor)		(Month/Year)	(No. of pages)

APA FORMAT

(Name of Style Manual Used in this Study)

The purpose of this study was to find out the "basic" cable television rates for the state of Wisconsin. No known research has been done to determine the year 2000 rates in the Wisconsin area.

The methodology used in this study was a phone interview using already prepared questions directed to the customer representatives at the cable companies. The response by representatives was immediate and a cover letter was sent to those wishing to know why the researcher was asking for basic rates.

The questionnaire was developed by the researcher and reviewed by the research advisor. Of the 50 customer representatives who were phone interviewed, a total of 108 different town and cities were successfully gathered.

The final results indicated that the average monthly rate is \$12.63. According to research rates have gone up approximately 7.6% annually. These results will be used to assist research advisor for teaching students in technology, the local and state franchises with relevant information, and provide relevant information for a new cable company wishing to open a business.

TABLE OF CONTENTS

ABSTRACT.....	2
TABLE OF CONTENTS.....	3-5
CHAPTER I. INTRODUCTION	
Organization of the study.....	6
Statement of the problem.....	6
Significance of the study.....	7
Limitations of the study.....	7
Definition of terms.....	8-9
Answers to common questions.....	10-12
CHAPTER II. LITERATURE REVIEW	
Review.....	13
Early days of cable television.....	13-14
Cable develops.....	14-15
Beginning Jurisdiction and rules.....	15-16
1984 Rules by Congress.....	16
1992 Congressional Policy.....	16-17
1996 Congressional Policy.....	17-19
1999 Changes in FCC ends.....	19-20
Regulations by local and state.....	20-21
Cable today.....	21-22
Cable TV future.....	22
Crossroads of cable TV.....	23
Summary.....	23-24
CHAPTER III. METHODOLOGY	
Introduction.....	25
Research design.....	25
Methodology.....	25
Subjects.....	26
Instrument design.....	26
Variables	27
Development of the instrument.....	27
Data gathering procedures.....	28
Summary.....	28
CHAPTER IV. RESULTS	
Overview.....	29

CHAPTER V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Overview.....	41
Conclusions.....	42
Recommendations.....	42

REFERENCES.....	43
-----------------	----

APPENDICES

A. Cover letter.....	44
----------------------	----

LIST OF TABLES

Table 1 Average monthly rate with rate increase.....	30
Table 2 Channel guide lineup.....	31
Table 3 Average monthly rate.....	32
Table 4 Basic rate for Marcus.....	33
Table 5 Basic rate for Charter Communications.....	34-35
Table 6 Basic rate for “Other” companies.....	36
Table 7 Basic rate for Western Wisconsin Communications Cooperative...	37
Table 8 Basic rate for Media Communications.....	38
Table 9 Basic rate for Time Warner.....	39
Table 10 Average basic rate-overall by companies.....	40

I. INTRODUCTION

Organization of the study

This introductory chapter presents the statement of the problem, significance, assumptions, limitations, objective, and definition of terms used in the study. The remainder of the study is divided into four chapters. Chapter II reviews relevant literature on the cable television industry. Chapter III discusses the method of research, data gathering techniques, the survey instrument, and the proposed data analysis. Chapter IV presents the findings of the study, data analysis and interpretation. Chapter V summarizes the study, discusses the general conclusions and their implications, and suggests strategies for implementation and further research.

Statement of the problem

The purpose of this research was to find out the “basic” cable television rates for the year 2000 in Wisconsin. While conducting research on this project no known study has been done on “basic” cable television rates.

The literature following will provide a basic historical review on the cable television industry. Federal Communications Commission (FCC) rules and regulations and federal and state regulations will provide the necessary framework for the cable television industry.

Significance of the Study

Recently, there has been a great increase in the “basic” television rates by all cable companies both large and small. Due to increases in competition, changes in

technology, and costs associated for updating. Changes in the cable regulatory environment and the advances in cable technology such as fiber optics will allow the cable companies to compete in the local voice market, and provide high-speed Internet access, and cable television on one fiber line.

This study will benefit three groups: 1) my research advisor for teaching students in technology; 2) the local and state franchises with relevant information; and 3) provide relevant information for a new cable company wishing to open a business.

Limitations of the study

The primary limitations of the study are as follows:

1. The study was geographically limited to a phone interview sample of 50 cable companies in Wisconsin.
2. Only data from customer representatives from cable companies will be collected and analyzed. No attempt will be made to contact satellite companies or Wisconsin Cable Associations.
3. The findings of the study are limited to the validity and reliability of the questions developed and used to gather data.
4. "Basic" service had many definitions: antenna channels, limited basic, broadcast basic, basic 1, basic-basic, local network channels, standard basic. Trying to find out one definition would be impossible, since each company had their own definition of this service.
5. The total number of channels received varied from city to city and from town to town.

Definition of Terms

Terms used in this study and their appropriate definitions include the following:

Cable television- is a video and audio delivery service provided by a cable

operator (Time Warner, Marcus, TCI, etc.) to subscribers via fiber optics or coaxial cable. Programming delivered without a wire via satellite or other facilities is not cable television according to the Federal Communications commission (Mitchell, Hendricks, & Sterry, 1993).

Cable service- is the transmission to subscribers of video or other programming service. This definition includes any subscriber selection required in choosing video programming or other programming service (Cited in FCC fact sheet, 2000).

A cable system- is a facility, consisting of a set of closed transmission paths associated signal generation, reception, and control equipment that is designed to provide cable service and which is provided to multiple subscribers within a community (Charter Communications [Brochure], 2000).

Cable services are often provided in tiers. A tier is a category of cable service or services provided by a cable operator for which a separate rate is charged by the cable operator. There are three types of tiers: basic service, cable programming service, and per-channel or per-program (also called pay-per-view). For the purposes of this study basic service will be analyzed.

Customer service- for instance, complaints about bills, a cable system's response to inquiries about signal quality, and a cable system's response to service requests.

Franchise fees- the fees paid by the cable system to the franchising authority for the right to offer cable service.

Basic service- Rates for basic cable service, equipment used to receive basic cable service, and installation and service charges related to “basic” cable service. The term "basic cable service" refers to the lowest level of cable service you can buy, and is the

program package that includes signals from local television stations (such as ABC, CBS, and NBC affiliates; educational stations; and independent television stations) and public, educational and governmental access channels (<<http://www.fcc.gov/>>).

Your cable system may use other terms to describe this service.

It includes, at a minimum, all over-the-air television broadcast signals carried pursuant to the must carry requirements of the Communications Act, and any public, educational, or government access channels required by the systems franchise agreement. It may include additional signals chosen by channels required by the operator. Basic service is regulated by the local franchising authority (the local or state entity empowered by the Federal, State, or local law to grant a franchise to a cable company to operate in a given area) (<<http://www.fcc.gov/csb/facts/>>).

FCC - also called the Federal Communication Commission. Which has been responsible at first for establishing rules and regulations for all cable television systems.

The regulation of cable television rates is shared between the Commission and your local franchising authority, which is the local city, county, or other government organization that granted the cable operator the right to provide cable service to your community. The name of your local franchising authority may be on your cable bill.

Answers to common questions on cable television:

How Cable Television Works

Cable television brings you more channels and better reception than off-air

reception of broadcast television since TV signals travel to your home by cable-rather through the air. In addition to local TV stations, communications satellites let you receive many additional channels via cable TV.

Individual television programs are produced in many locations around the world, and these programs are transmitted to communication satellites that orbit the earth. These satellites stay in a fixed position 22,300 miles above the earth, allowing them to transmit to you community.

Local receivers get the signals from the satellites, and the head-end (the control center processes these satellite signals) along with the signals from our local TV stations and other sources so they can be transmitted over a cable system to your home (Michell, Hendricks, & Sterry, 1993).

These television programs are brought to your home via hundreds of miles of cable; either strung on the power or telephone poles or buried underground.

Are there some rates that neither the FCC nor local franchising authorities regulate?

Yes. Neither the FCC nor your local franchising authority regulates rates for pay-per-channel programming (for instance, a premium movie channel such as HBO or Showtime) and pay-per-program services (for instance, pay-per-view sports events). This means that your cable company may charge what it chooses for these services.

How are the rates of my cable company regulated?

Your local franchising authority regulates the rates for the basic service tier. The rate regulations your local authority enforces are regulations the FCC has adopted. Basically, the FCC has established a benchmark system for use by the local

authorities in their determinations of rate reasonableness. Under the benchmark system, a cable operator's rates are compared to a set of rates designed to approximate the rates that a cable operator facing competition would charge. If a cable company believes that its rates must be permitted to exceed the benchmark, it can elect to justify higher rates by making a cost of service showing. This is a more complicated method for determining the reasonableness of a cable company's rates and is based on the company's higher costs of providing service. If the cable company can make the case that its higher costs require higher rates, its rates will be allowed to exceed the benchmark.

Per-channel or per-program services, which are those services for which the cable system charges a separate fee, as stated above, are not subject to rate regulation.

May my local franchising authority begin immediately to regulate my cable system's basic rates?

No. In order to exercise its authority to regulate basic cable rates, the FCC must certify your local franchising authority to do so. Your local franchising authority must certify to the FCC that it has the legal authority and the personnel necessary to regulate rates, that it will adopt rules consistent with FCC rules governing the basic service tier, and that it will adopt procedural rules providing for notice and comment in rate regulation proceedings. Your franchising authority's certification becomes effective 30 days after it is filed with the FCC, unless they notify your franchising authority to the contrary. Your franchising authority must adopt the rules referred above within 120 days of certification.

The FCC will not intervene to regulate basic cable service rates should your local

franchising authority choose not to seek certification from the Commission (<http://www.fcc.gov/>).

How do I file a complaint about my cable rates?

Pursuant to the 1996 Act, only the basic cable rate is regulated. Because the local franchise authority has the jurisdiction to regulate this rate, any questions you have about this rate should be discussed with your local franchise authority.

II. REVIEW OF LITERATURE

The literature highlights cable television as it relates to business and industry. It will begin with the early days of cable television. The second part discusses cable development and cable as it is today. The third section reviews beginning jurisdiction

and rules applied by the FCC. The fourth section discusses 1996 changes in regulation ends. The fifth section discusses the regulations by the local and state franchises.

The Early Days of Cable Television

Cable television, formerly known as Community Antenna Television or CATV, was born in the mountains of Pennsylvania in the late 1940's. During this time, there were only a few television stations, located mostly in larger cities like Philadelphia, Pennsylvania. People who did not live in a city or in a location where signals could be received easily, were unable to see television. John Walson, an appliance store owner in the town of Mahanoy City, had difficulty selling television sets to local residents because the reception in the area was poor. The problem seemed to be in the location of the town in a valley and nearly 90 air miles from the Philadelphia television transmitters. Naturally, the signals could not pass through the mountain, and clear reception was virtually impossible, except on the ridges outside of town. To solve this problem, Mr. Walson put an antenna on top of large utility poles and installed it on the top of a nearby mountain. Television signals were received, and transported over twin lead antenna wire down to his store. Once people saw these results, television sales soared. It became his responsibility to improve the picture quality by using coaxial cable and self-manufactured "amplifiers" to bring CATV to the homes of customers who bought the television sets. And so, cable television was born in June 1948 (Cited from History of Cable Television, 2000).

In the early 1950's television was still fairly new and over 70 cable systems served 14,000 subscribers nationwide and city department stores displayed many different

models of cable systems for sale (<<http://fcc.gov/factsheet.org>>). Milton Shapp, who later became the governor of Pennsylvania, developed a system to consolidate the antennas for city department stores and apartment buildings. Under this new system, one master antenna could be used for all televisions in the building. His secret: the coaxial cable and signal amplifiers, capable of carrying multiple signals at once. At the same time in the nearby town of Lansford, another appliance salesman named Bob Tarlton, experienced the same problem as Mr. Walson. He read about Mr. Shapp's new system and thought if it worked for apartment houses and department stores it could work for towns as well (<<http://fcc.gov/csb/facts/>>).

Cable Develops

With the help of Milton Shapp's innovation, cable television spread quickly throughout the country to remote and rural areas far from the broadcast origination in cities. For many years, cable was simply a way to improve reception so people could see network broadcasts. It did not stay that way for long because Mr. Walson in the early 1950's other system owners soon began to experiment with microwave to bring the signals from distant cities. Pennsylvania systems that only had three channels soon had seven or more channels as operators imported programs from independent stations from New York and Philadelphia (<<http://www.fcc.gov/csb/facts/>>). Because of the variety it offered to viewers, cable became more and more attractive and eventually moved into cities as people wanted more viewing choices. Surprisingly, the growth of the cable though the importation of distant signals was viewed as competition by the local television stations. In response to broadcast industry concerns, the FCC expanded its jurisdiction and placed restrictions on the ability of

cable systems to import distant television signals. This action had the effect of freezing the development of cable systems in major markets.

Beginning Jurisdiction and Rules

In 1965 the FCC first established rules for cable systems that received signals by microwave antennas. In 1966 the Commission established rules for all cable systems (whether or not served by microwave). The Supreme Court affirmed the Commissions jurisdiction over a case in the *United States v. Southwestern Cable Company*, 392 U.S. 157 (1968). The Court ruled that the “Commission has reasonable concluded that regulatory authority over CATV is imperative if it is to perform with appropriate effectiveness certain of its responsibilities.” The Court found the Commission needed authority over cable systems to assure the preservation of local broadcast service and to effect an equitable distribution of broadcast services among the various regions of the country (Crandall, 1996).

In March 1972, new rules regarding cable television operators to obtain a certificate of compliance from the Commission prior to operating a cable TV system or adding a television broadcast signal. “The rules fell in several areas (franchise standards, signal carriage, network program non-duplication, non broadcast or cablecasting services, cross-ownership, equal opportunity, and technical standards”(Roberts N., 1993). Cable operators were required to maintain certain records and to file annual reports with the Commission concerning general statistics, employment and finances.

In succeeding years, the Commission modified or eliminated many of these rules. Among the more significant actions, the Commissions deleted most of the franchise

standards in 1977 and eliminated the distant signal carriage restrictions and syndicated program exclusivity rules in 1980. In addition, court actions led to the deletion of the pay cable programming rules in 1977.

1984 Rules by Congress

In October 1984, the U.S. Congress amended the Communications Act of 1934 by adopting the Cable Communications Policy Act of 1984. The Act purpose was to establish policies in the areas of ownership, channel usage, franchise provisions and renewals, subscriber rates and privacy, obscenity, unauthorized reception of services, equal opportunity, and pole attachments (Dockett, K.,1997). The new law also divided jurisdictional boundaries among federal, state and local authorities for regulating the cable television systems.

1992 Congressional Policy

After the 1984 Cable Act was passed, the number of household subscribing to cable television systems increased, as did the channel capacity. However, competition among distributors of cable services did not increase and the rates far out paced the inflation. Congress took immediate action and enacted the Cable Television Consumer Protection and Competition Act of 1992.

In adopting the Cable Act of 1992, “Congress stated that it wanted to promote the availability of diverse views and information, to rely on the marketplace to the maximum extend possible to achieve that availability, to ensure cable operators continue to expand their capacity and program offerings, to ensure cable operators do not have undue market power, and to ensure consumer interests are protected in the receipt of cable service”. The Commission has adopted regulations to implement

these goals (<<http://www.fcc.gov.1992cableact/>>).

1996 Congressional Policy

In adopting the Telecommunications Act of 1996, Congress noted that it wanted to provide a pro-competitive, deregulatory national policy framework designed to accelerate rapid private sector deployment of advanced telecommunications and information technologies and services to all Americas by opening all telecommunications markets to competition. The Commission has adopted regulations to implement the requirement of the 1996 Act and the intent of Congress.

The Act also required that television receivers manufactured or imported for use in the United States be equipped with “V-Chip” circuitry that is capable of identifying all programs with a common rating and blocking individual channels during selected time periods. The requirement applies to all television sets with a 13-inch monitor. However, the requirement to rate programming applies only to video transmissions that are delivered to the computer by using the television tuner. Video transmissions delivered over the Internet or via computer are not required to be rated.

¹Section 504 of the 1996 Act required a cable operator to “fully scramble or block the audio and video portions (at no cost to the subscriber) of programming services not specifically subscribed by a household”. In addition, ²Section 505 states “that cable operators or other multi channel video programming distributors who offer sexually explicit programming or other programming that is indecent on any channel(s) must fully scramble or block both the audio and video portions of the

¹ Pub.L.No. 102-233, Stat.1460 (1996), 47 U.S.C. 534 (k) (1996) (“Section 4 & 5 of 1996 Cable Act).

² Pub.L. No. 102-233, Stat.1460 (1996), 47 U.S.C. 534 (k) (1996) (“Section 5 of 1996 Cable Act)

channels so that someone who does not subscribe to the channel does not receive it”.

On March 4, 1996, the Commission adopted an Order and Notice of Rule making establishing interim rules to implement Section 505 of the 1996 Act. The interim rules established the hours of 6 a.m. to 10 p.m. as those hours when a significant number of children are likely to have access to and view programming. On March 24, 1997, the United States Supreme Court affirmed the District Courts decision to deny the request for a preliminary injunction of section 505. On December 28, 1998, a federal court in Delaware issued a decision (*Playboy Entertainment Group v. U.S.*), which determined that Section 505 is unconstitutional. Therefore Section 505 could not be enforced. However persons who wish to prevent the viewing of such programming may do so by obtaining a “lockbox” or by exercising the options provided in Section 504 of the 1996 Act (Cited in FCC Fact Sheet, 2000).

Finally, ³Section 506 of the 1996 Cable Act allows “cable operators to refuse to transmit any public access or leased access program which contains obscenity, indecency, or nudity”(pg 11). On June 28, 1996, the U.S. Supreme Court issued a decision (*Denver Area Educational Telecommunications Consortium, Inc.v. FCC*) which held that cable operators may decline to carry indecent programming on leased access channels, but cannot exercise the same control over programming on public access channels.

1999 Changes in FCC Regulation Ends

As of March 31, 1999, the Federal Communications Commission will no longer have the authority to receive or act upon consumer complaints regarding cable

³ Pub.L. No. 102-233, Stat.1460 (1996), 47 U.S.C. 534 (k) (1996) (“Section 6 of 1996 Cable Act)

television service. As required by Congress in the 1996 Telecommunications Act, after that date, the Commission will no longer be able to accept and process consumer complaints about rates on the cable programming service tier on your cable system. That is the service tier that includes the TV cable networks. Local communities will continue to have the authority to regulate rates on the basic service tier.

The Act established a process whereby cable equipment and “basic” tier cable rates would be subject to regulation by state and municipal governments in whose areas where effective competition was absent. For regulatory purposes, basic tier service includes broadcast signals, local public, educational and government access channels and other services the system operator chooses to include in the same package with these channels. Basic tier service is programming distributed over a system that is not on the basic service tier. It is this cable programming service tier, which will no longer be subject to regulation after March 31, 1999. The commission will continue to process complaints regarding service offered before March 31, 1999.

Since 1993, the Commission's Cable Services bureau has been receiving and disposing of complaints from cable television subscribers regarding rates on the cable programming service tier. In that period, the Bureau had resolved more than 18,000 complaints involving more than 5,700 cable communities. The Commission has ordered nearly \$100 million in consumer refunds during the six years of cable regulation to 400 million cable consumers (<http://www.fcc.com>).

With the closing of federal cable rate regulation, the FCC will no longer be able to

act upon rate increases that occur after March 31st. Only new Congressional action can extend the Commissions role, or provide new cable rate regulations. The Commission will continue work on a number of matters related to increasing competition in the video-programming marketplace. Both the Cable Act of 1992 and the 1996 Telecommunications Act included provisions directing the FCC to take aggressive swipes to improve competition in the video-programming marketplace.

Competition is growing, but at a slow pace. The Commissions won 1998 Cable Competition report shows that cable operators will have 85% of those consumers who subscribe to multi-channel video programming. The Commission believes that, as competition to cable and chose in the video-programming marketplace develop, consumers will have access to more services that prices will be controlled by competition.

Regulations by the local and state

A variety of laws and regulations for cable television exist at the state and local level. Some states such as Massachusetts, regulated cable television on a comprehensive basis through a state commission or advisory board established for the sole purpose of cable television regulation. In other areas of the country (like Wisconsin), cable is regulated by local governments such as: city cable commission, city council, town council, or a board of supervisors. These regulatory entities are called “local franchising authorities.”

The 1992 Cable Act codified, and the Commission has adopted, “a regulatory plan allowing local and/or state authorities to select a cable franchisee and to regulate in

any areas that the Commission did not preempt”(Hymes.J.T., 1992). Local franchising authorities have adopted laws and regulations in areas such as subscriber service requirements, public access requirements and franchise renewal standards. Under the 1992 Cable Act, local franchising authorities have specific responsibility for regulating the rates for basic cable service and equipment.

The Communications Act requires that no new cable operator may provide service without a franchise and establishes several policies relating to franchising requirements and franchisee fees. Included in the grant of a franchise to a cable system are rights relating to the construction of the system, including the local franchising authority’s authorization to use public rights-of-way, easements, and to establish the areas to be served. In addition, the law requires just compensation to property owners who have suffered damages as a result of a cable operator’s construction, operation, installation, or removal of its cable television facilities.

Cable Today

Cable television is over 50 years old, and is still a very young industry. Nearly 60 million households currently subscribe to cable, with advancements to reach hundreds of new subscribers every day. Today cable channels, making use of FDM (frequency division multiplexing), can handle more than 100 channels (Michell, Hendricks, & Sterry). The channel capacity makes it possible for a operator to provide many services like news, weather, business information, movies, sports, special entertainment, and program for specific audiences. Some cable systems have begun offering a full-range of telecommunication services, including high-speed Internet access (which allow subscribers to connect to the Internet 100 times faster than the

standard analog modem) and local telephone service.

Cable Television Future

Some experts suggest that cable systems will begin to use fiber optic technology rather than conventional coaxial cable. This development would see a communication channel of almost unlimited bandwidth, and possible an unlimited range of communication services.

Fiber optics, which is very small, strands of glass about the thickness of a human hair, transmit a light signal (by lasers on either end) as opposed to an electrical signal.

The growth of fiber optics-based communications systems will be dynamic. Fiber optic cable is already replacing copper in the catv industry that requires high bandwidth for short and long distances. Fiber is being used for undersea communication. A link because fiber is not affected by atmospheric conditions and terrestrial obstacles.

Changes in the regulatory environment could also affect cable systems. If the FCC allows local telephone network competition, then cable systems could enter the local voice market and compete with local telephone companies to provide local service. Cable systems will continue to play an important, expanding role in delivering a wide range of communication services.

Crossroads of Cable television

Certainly, complacency isn't readily evident when you look at what cable companies are doing in the way of offered new products and services that range from digital cable to high-speed access to switched telephony in some markets. But beneath the effort to stay ahead of competitors, cable may be neglecting one of its

strongest and most important sources: ingenuity (the creative thought process that propelled it to the forefront of the telecommunications revolution and has long kept it there). The principal message emanating from the panel of industry experts who recently convened in New York to participate in Cablevisions long standing annual industry forecast seminar.

The underlying concern that was constantly repeated by the experts are: potential siphoning of cash flow in the wake of increasing competition; and architecture that may not always be effectively positioned for attracting new customers and retaining existing ones; fragmented priorities and strategies of cable companies; a need for greater market consolidation; slowness of rolling out bundled service offerings; and uncertainty about the timing for interactivity.

Summary

This chapter provided a review of the literature and research studies in several related areas. First, the early days of cable television; second, beginning rules and jurisdiction; third, 1996 changes in regulations; fourth, regulations by the local and state franchises; fifth, cable development and cable today.

Several sources and topics were described to give the reader a greater understanding of what a cable company faces in FCC rules and regulations.

It is the hope of the researcher that the discussion has provided a foundation of reference for its readers that will assist them in understanding the context of this research endeavor. The following chapter will discuss the research methodology used in this study.

CHAPTER III

METHODOLOGY

Introduction

The purpose of this study was to find out the “basic” cable television rates for the for the year 2000 in Wisconsin. This chapter describes the research methodology used

in the study including: (a) research design, (b) population and sample, (c) instrument development, (d) data collection, and (e) data analysis. This section provides an overview of the subjects and sample selection, development of the instrument, methods of data analysis, and the proposed analysis of data.

Research Design

This study was conducted during a two-month period from November to December in 2000. First an examination of the literature and review of literature was conducted. This included a brief historic overview of the early days of cable television. Next, telephone numbers from the year 2000 phone books were gathered. Then a pilot study was conducted to another state to minimize the amount of time spent on the phone and to not negatively affect the researchers sample area. Data from the phone interview were to be analyzed and results, conclusions and recommendations were to be developed.

Methodology

The study was designed to collect descriptive and qualitative data through the use of a prepared phone questionnaire. A stratified random sampling technique was used to collect information about cable operators within the state of Wisconsin.

Subjects

The individuals who were selected for the study were customer representatives from the cable companies. A random sample from the 2000 telephone books was used to obtain a list of cable companies for the population of this study. The total number of cable companies in different towns and cities were 50.

Since the total number of was 50, the researcher decided this number was

manageable enough to do a 2-3 minute phone interview with the entire population.

Calls were conducted on November 27 and after 7 hours the research was completed.

Instrument Design

The following procedure was used to assure that the questions would be appropriate. The following lists the steps that were taken to develop the survey instrument:

- 1) Feedback and opinions were gathered from the research advisor and revisions were made.
- 2) A brief introduction of myself was explained to the service manager to provide them with the purpose of the study.
- 3) Prior to the study, a small pilot study was made to find out the best times to reach the service managers, whether or not the question were revealed quickly, and to find out if the time on the phone was minimized. Relevant information was gathered by the pilot study and revealed a need for revision of questions and to shorten the time spent on the phone.

B. Variables

For purposes of this report, several variables were selected to serve as the focus of the analysis. These variables are: average monthly rate and average cost per channel. A brief description of each variable follows.

Average monthly rate: this variables the sum of the programming services and equipment charges and represents the amount charged to a typical subscriber for basic

service. This variable is calculated by dividing the total cost of basic service divided by the total number of cities and towns. Fees for other cable services, such as premium, ala carte, and pay-per-view channels, discounts, specials, cost for installation, or cost of boxes are not included in this study.

Average cost per channel-this is achieved by taking the sum of total number of channels divided by the sum cost for basic service.

Development of the Instrument

Given the purpose of this study, the research questions to be answered and size of the sample, a phone interview and previously developed questionnaire appeared to be the most economical and appropriate collection technique. Each operator was asked two questions: cost of “basic” service, and how many channels are included. After the researcher developed the instrument, the research advisor reviewed it. These questions were revised twice based on comments and suggestions from the pilot study.

Data gathering procedure

The 50 telephone interviews were made on November 27, and over 7 hours later over 117 cities and towns were gathered. The success was due to a large part that large cable companies had call centers that were able to provide basic costs for multiple towns and cities.

Summary

This chapter describes the survey research methodology used in this study

including the research design, population and sample, instrument development, data collection procedure, and data analysis. Chapter IV will describe the results of the study.

Chapter IV

THE RESULTS

The purpose of this study was to find out the “basic” cable television rates for the year 2000 in Wisconsin. Phone interviews were made to 50 randomly selected cable companies. A total of 107 towns and cities were successfully gathered. Data was entered and analyzed by the researcher. The results of this study are explained in

great detail in this chapter.

The following tables will show: 1) Rate increase from the years 1984-1999 with annual rate increase; 2) Channel guide lineup; 3) Average monthly rate by company; 4) Basic rate for Marcus Cable; 5) Basic rate for Charter Communication; 6) Basic rate for “Other” companies; 7) Basic rate for WWCC; 8) Basic rate for Media Communication; 9) Basic rate for Time Warner; 10) Overall Average cost per channel by companies.

Table 1

This was provided by the researcher to give the readers a greater understanding of the rate increase and percentage from the years 1984-1999.

Average Monthly Rate Cost: 1984-1999 with annual rate increase percentage		
Year	Basic Rate	% of rate change
1984	\$8.98	

1985	\$9.73	8.3%
1986	\$10.67	9.6%
1987	\$12.18	14.1%
1988	\$13.86	13.7%
1989	\$15.21	9.7%
1990	\$16.78	10.3%
1991	\$18.10	7.8%
1992	\$19.08	5.4%
1993	\$19.39	1.6%
1994	\$21.62	11.5%
1995	\$23.07	6.7%
1996	\$24.41	5.8%
1997	\$26.48	8.4%
1998	\$27.81	5%
1999	\$28.92	3.9%

The average rate increase from years 1984-1999 is 7.6%

Note: The data in column 1 and 2 are from: "The Cable TV Financial Datebook", Paul Kagan Associates, Inc., 1999, p. 7.

Table 2

Channel guide lineup

Channel Guide lineups varied from city to city and from town to town. Many cable companies have different station numbers. However, include the following for "Local Channels":

Number of
respondents

N=107

CBS-two	PBS-two	ABC-two	NBC-two	WGN
TBS	FOX-two	Government access	Local access	

Local access is also called public access, independent, or network channels.

CBS-two means that each city or town could have two separate stations under this category (this will also include other stations listed with two).

Table 3

Average Monthly Rate by Company

The respondents were asked the cost for “basic” service. The majority of the respondents had different definitions of this service, so the researcher gathered the lowest cost of service. Costs did not include: specials, promotions, discounts, cost for installation, cost for converter box, dial up, or expanded basic.

Number of
respondents
N=107

Average Monthly Rate by Company			
Company	Sum of basic rate	Total cities and towns	Average monthly Rate
Marcus Cable	\$101.58	10	\$10.16
Charter Comm.	\$518.21	46	\$11.27
Other Companies	\$348.49	18	\$19.36
*WWCC	\$225.65	11	\$20.52
Media Comm.	\$148.65	11	\$13.52
Time Warner	\$100.23	11	\$9.12
TOTALS	\$1351.81	107	\$12.63

*WWCC-Western Wisconsin Communication Cooperative

The overall average monthly rate is \$12.63. This average was based upon the sum of all monthly rates for each company and dividing it by the sum of total cities and towns.

The average monthly rate has gone down considerably as compared to 1999, which was a rate of \$28.92 (see table 1). This reduction may have to do with competition and changes in the local and state regulations.

For a list of “Other” companies see table 6.

Note: Rate does not include franchise fee, state or local taxes, county tax (depending on area).

Table 4

Basic Rate for Marcus Cable		
Coverage area	Number of channels	Basic rate
Bellvue	12	\$12.95
Fond du Lac	25	\$12.40
Janesville	22	\$8.50
Madison	18	\$12.38
Marshfield	12	\$7.50
Mattoon	12	\$8.42

Stevens Point	12	\$8.42
Tomahawk	8	\$11.90
Two Rivers	25	\$10.69
Wausau	12	\$8.42
TOTALS	158	\$101.58

The highest cost for a town with Marcus Cable is \$12.95 and the lowest is \$7.50. The average “Basic” rate is \$10.16 with an average cost per channel of \$.69.

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 5

Basic Rate-Charter Communication		
Coverage area channels	Number of channels	Basic rate
Algoma	23	\$8.10
Antigo	12	\$12.95
Ashland	10	\$12.47
Baraboo	50	\$27.43
Baron	13	\$13.60

Bayfield	10	\$12.91
Beloit	22	\$8.76
Bellville	12	\$11.33
Berlin	25	\$11.62
Bever Dam	25	\$10.67
Bloomington	21	\$16.26
Brandon	25	\$10.90
Cameron	13	\$10.00
Clintonville	12	\$10.37
Cornell-city-non upgrade	13	\$10.26
Cornell-city- upgrade	13	\$10.99
Cornell-town	13	\$9.27
Crandon	12	\$11.90
Cumberland	13	\$10.59
Dodgeville	37	\$29.85
Fitchburg	20	\$7.11
Fond du Lac-city	25	\$12.40
Fort Atkinson	23	\$11.65
Grand Rapids	13	\$8.25
Hartford	25	\$10.90
Janesville-town	24	\$10.55
Janesville-city	20	\$8.50
La Cross	12	\$8.13
Lake Mills	23	\$11.65
Lancaster	13	\$16.26
Madison-city	18	\$12.38
Marathon	6	\$9.51
Middleton-city	18	\$12.38

New Glarus	22	\$11.65
Oshkosh	23	\$8.10
Oshkosh-town	24	\$11.73
Rice Lake	13	\$9.95
Sheboygan)-city	25	\$11.10
Stevens Point	13	\$8.42
Stone Lake	10	\$9.55
Sand Lake	10	\$9.55
Waupaca	12	\$8.75
Wausau	12	\$8.42
West Bend	25	\$10.65
Whitewater	23	\$12.80
Wisconsin Rapids	13	\$7.90
TOTALS	816	\$518.21

The highest cost for a town with Charter Communication is \$29.85 and the lowest is \$7.11. The average “Basic” rate is \$11.27 with an average cost per channel of \$.64.

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 6

Basic Rate for “Other” Companies		
	Number of Channels	Basic Rate
Chippewa Valley Cable		
Durand	51	\$28.27
Arkansa	51	\$28.30
Comm. Cast Cable		
Manitowoc	20	\$11.31
Whitlaw, Branch, Clover	20	\$11.31
Chequamegon Telecommunications Company		
Hayward	40	\$29.95
Camron	12	\$12.95
Barron	12	\$12.95
Hudson	44	\$22.95
Sky Cable TV		
Madison	25	\$22.95
S&K TV Systems		
Holcombe	32	\$25.95
Gildman	28	\$26.95
Sheldon	27	\$26.95
Wisconsin Wireless & Cable Television		
La Cross	23	\$22.00
Sparta	23	\$22.00
North American Communications Corporation		
Hudson	22	\$22.95
AT&T broadband		
River Falls	12	\$6.90
Hudson	12	\$6.90
Prescott	12	\$6.95
TOTALS	466	\$348.49

The highest cost for a town with “Other” companies is \$29.95 and the lowest is \$6.95. The average “Basic” rate is \$19.36 with an average cost per channel of \$.75.

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 7

Basic Rate-Western Wisconsin Communication Cooperative			
	Coverage area	Number of channels	Basic rate
Counties:	Humbird	39	\$27.41
	Jackson	39	\$27.41
	Eau Claire	39	\$27.41
	Tempelau	39	\$27.41
	Clark	39	\$27.41
Cities:	Black Creek	12	\$7.91
	Chilton	28	\$9.35
	Independence	39	\$27.41
	Jackson	39	\$27.41
	New London	12	\$8.61
	Shiocton	12	\$7.91
	TOTALS	337	\$225.65

The highest cost for a town with WWCC is \$27.41 and the lowest is \$7.91. The average “Basic” rate is \$20.52 with an average cost per channel of \$.67.

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 8

Basic Rate-Media Communication		
Coverage area	Number of channels	Basic rate
Albany	12	\$13.00
Iola	12	\$13.00
La Cross	12	\$10.95
Monticello	39	\$32.95
Orfordille	12	\$13.00
Poscabel	12	\$9.95
Prairie Du Chein	13	\$9.95
Scandinavia	12	\$13.00
Viola	12	\$10.95
Westby	12	\$10.95
Wison	12	\$10.95
TOTALS	160	\$148.65

A The highest cost for a town with Media Communication is \$32.95 and the lowest is \$9.95. The average “Basic” rate is \$13.52 with an average cost per channel of \$.93.

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 9

Basic Rate-Time Warner		
Coverage area	Number of channels	Basic rate
Allouez	12	\$9.20
Ashwaubenon	12	\$7.50
Appleton	12	\$9.35
Bellview	12	\$9.06
Depere	12	\$9.20
Fox Cities	12	\$9.35
Green Bay	12	\$9.35
Kimberly	12	\$9.35
Oshkosh	12	\$8.11
Summers	24	\$9.88
Pleasant Prairie	24	\$9.88
TOTALS	156	\$100.23

The highest cost for a town with Charter Communication is \$9.88 and the lowest is \$7.50. The average “Basic” rate is \$9.24 with an average cost per channel of \$.65.

Fox Cities include: Appleton, Neenah, Menasha, Little Chute, Kaukauna, Kimberly

Note: Prices do not include franchise fee, state or local taxes, county tax (depending on area).

Table 10

Overall Average Cost per Channel by Companies			
Company	Total Channels	Total price	Average price per channel
Marcus Cable	148	\$101.58	\$.69
Time Warner	156	\$100.23	\$.65
Media Communication	160	\$148.65	\$.93
Western Wisconsin Communication Cooperative	337	\$225.65	\$.67
“Other” Companies	466	\$348.49	\$.75
Charter Communication	816	\$518.21	\$.64
TOTALS	2083	\$1442.81	\$.70

The highest average price per channel was Media Communications \$.93 and the lowest was Charter Communications \$.64.

The total average cost per channel \$.70. This was calculated by dividing the sum of the companies by total number of channels.

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

The purpose of this study was to find out the “basic” cable television in Wisconsin for the year 2000.

The study methodology was designed to collect descriptive and qualitative data through the use of a phone interview. All of the phone interviews were made to the customer representatives of the cable companies.

The major findings from the study were as follows:

- “Basic” television channels averaged from 2-20.
- Average monthly basic service rate is \$12.63
- Average cost per channel is \$.70
- A large majority of challenges facing “basic” rates are changes in technology, cost of updating, and new state and local franchise rules.
- The researcher found that prices can be slightly higher or lower depending on the area in which you live either city or county. In some cases prices could be different from one block to another or from house to house depending on that initially installed the cable lines.
- Many companies were bought out by larger companies and there was a change in the title of the company.
- Many companies would provide cheaper rates if you got telephone or internet service. However for the purposes of the research this was not included.
- There were 9 companies the researcher was not able to get a hold of because some were wrong phone numbers or were satellite providers.

Conclusions

The results of data analysis were presented in detail in Chapter four. The key findings for each study objective are as follows:

1. Determine the rates for “basic” cable television in Wisconsin for the year 2000.
2. Develop a foundation for research for local and state franchises in Wisconsin.

Recommendations for further study include the following:

1. This study should be repeated next year to the price increase.
2. The findings of this study were based on data gathered from a population living only in the Wisconsin area. Therefore, data collected from the respondents may not represent the responses that might be gathered from cable companies in other states.
3. The University of Wisconsin-Stout should use this data for assistance in teaching students in telecommunications.
4. Many companies wanted zip codes to provide an exact cost for the area in which someone would be living. This study was based upon costs for residential living, and not an apartment.
5. Prices sometimes can be higher because of an upgraded area.
6. The definition of basic service varied from company to company. Many different definitions were: antenna channels, limited basic, basic 1, broadcast basic, basic-basic, local network channels, standard basic.

REFERENCES

- Anonymous (2000). History of Cable Television.
- Crandall, Robert (1996). Cable TV Regulation or Competition?. Elmsford, NY.
- Dockett, K (1984). Rules by Congress. Hilsdale, N.J. Erlbaum
- Electronic Journal: Federal Communication Commission, The Consumer's role in cable rate regulation, August 2000. Retrieved from the world wide web: <http://www.fcc.csb/facts.html>
- Electronic Journal: History of Cable Television. Retrieved Nov. 2000 from the world wide web: <http://www.fcc.gov.factsheet.org>
- Electronic Journal: Federal Communication Commission, The Consumer's role in cable rate regulation, August 2000. Retrieved from the world wide web: <http://www.fcc.gov.1992cableact.html>
- Electronic Journal: Cable television fact sheet, Retrieved Nov. 2000 from the world wide web: <http://fcc.gov/search/cablefactsheet/>
- Electronic Journal: Cable television fact sheet, Retrieved Nov. 2000 from the world wide web: <http://fcc.gov/csb/facts>
- Electronic Journal: Retrieved from the world wide web November 2000: <http://www.fcc/cableact.gov>
- "How to use your Cable Services". Charter Communications [Brochure] 2000.
- Hymes, J.T. (1992). Cable Act Co-defined. Lancaster, PA: Old World Publishing.
- Michell, Hendricks, & Sterry (1993). Telecommunication Systems and Applications. St Paul, MN.: Paradigm Publishing Inc.
- Roberts N. (1993). Market Power and Price Increases for Basic Cable Service. Pergamon Press.

Appendix B

COVER LETTER

University of Wisconsin-Stout
Menomonie, WI 54751

Hello, Let me introduce myself, my name is Scott Golden and I am a Graduate student at the University of Wisconsin-Stout. I am conducting research for a research paper that is required for the Masters Degree in Telecommunications.

I am researching high quality cable television companies like yours to study pertinent information in the cable television industry only in the state of Wisconsin. I would appreciate your help for the following two questions: basic TV rates and basic TV channel numbers (ex.2-20). These questions should take only 2 minutes of your time.

When the final analysis and research will be completed, I would be more than happy to send you a copy of my final results if you wish.

If you have any questions you can contact me by phone or e-mail otherwise you can reach my research advisor at University of Wisconsin-Stout, John Birmingham, (715) 232-5610.

Thank you for your time,

Sincerely,

Scott Golden
(715) 232-8406